

Chairman Tom Davis
Opening Statement
“Wasted Space, Wasted Dollars: The Need for Federal Real Property Management Reform”
June 22, 2005
10:00 a.m.
Room 2154 Rayburn House Office Building

Good morning and welcome to the Government Reform Committee’s hearing on legislation to address longstanding problems in federal real property management.

The Committee is well aware of the challenges of vacant, underutilized, and deteriorating Federal real property. Federal government agencies control over 3.2 billion square feet of real property assets in the United States and around the world. The federal government spends billions of dollars annually to maintain those properties; yet many federal properties are in disrepair, lack up-to-date technological infrastructure, and pose health and safety threats to workers and visitors.

Out of the 8,000 buildings managed by the General Services Administration (GSA), more than half are 50 years old and are deteriorating. Combined, they require an estimated \$5.7 billion in repairs. As a result, agencies are often forced to vacate properties and lease costly space from the private sector.

With few exceptions, agencies do not have incentives to dispose of these excess, surplus, or underutilized properties. For many agencies, revenue-generating sales for real property are not returned to agency capital accounts and therefore reduce incentives for agencies to invest in properties to make them usable. Furthermore, the placement of excess and underutilized federal real property and deteriorating facilities on the Government Accountability Office High Risk Series underscores the need for this hearing.

Since the 106th Congress, I have chaired Government Reform hearings examining innovative solutions to address the federal property management crisis. The Committee has found that federal agencies are subject to several laws that limit their authority to acquire, manage, and dispose of real property. Agencies need broader management authority to efficiently and cost-effectively manage their properties. They must be able to implement life-cycle management principles that will improve operational management, financial management, and agency accountability, encourage cost-savings, and incorporate private sector best practices.

This Committee marked up bipartisan legislation in the 107th and 108th Congresses that included these comprehensive management reforms. The most recent

version we approved was H.R. 2548, the “Federal Property Asset Management Reform Act of 2003,” co-sponsored by myself and Ranking Member Henry Waxman.

The bill was delayed because of a debate on its budget impact. The Congressional Budget Office (CBO) attached a high cost estimate to H.R. 2548, implying that the Federal government would spend more money by passing the bill than if it did nothing. This, of course, makes little sense – this is about saving money, not spending more of it. Fiscal responsibility requires that we grant agencies alternative property management authority to address this growing problem.

Today, we will review narrowly tailored draft legislation – language authored by me and Chairman Nussle of the Budget Committee – to begin addressing these management challenges and combating this inexcusable waste. The draft legislation creates a five-year pilot program to allow for the expedited disposal of excess, surplus, or underutilized federal real properties. Under the proposal, 10 eligible properties per year are to be sold for at least fair market value, and the agency affected by the disposal may retain a portion of the proceeds. This creates needed incentives for agencies to deal with unneeded properties.

In addition, the draft legislation codifies provisions from Executive Order 13327. The Order borrowed several key provisions from H.R. 2548, such as: (1) the creation of the Senior Real Property Officer; (2) the development of agency asset management plans; (3) the creation of an accurate and updated inventory of all Federal real property; and (4) an emphasis on financial management.

I want to thank Chairman Nussle of the House Budget Committee for ensuring that the FY 2006 Budget Resolution provided a \$50 million reserve fund to the Government Reform Committee to pay for the pilot program. This fund will allow us to prove that real property reform saves money. The Committee anticipates that at the end of the five-year program, the pilot will have resulted in considerable savings to the U.S. government, thereby clearing the way for more fundamental real property reform. Potential net benefits to the government include improved federal spaces, lower operating costs, and increased revenue without up-front federal capital expenditures.

Today we will hear from Clay Johnson, the Deputy Director for Management at the Office of Management and Budget, and David M. Walker, the Comptroller General at the Government Accountability Office. GAO has conducted several studies on the state of federal real property. Mr. Walker will discuss GAO’s evaluation of the underutilization of federal real property, its rationale for placing this issue on the GAO High Risk Series, and potential legislation to improve efficient use and sale of excess, surplus or underutilized properties. Mr. Johnson will testify about the Administration’s experience in dealing with deteriorating and underutilized property and the potential impact of legislation to improve efficient use and sale of excess, surplus or underutilized properties. We’re fortunate to have them both, and I look forward to hearing from them.